

DEBT MANAGEMENT PROGRAM

OUTSTANDING DEBT

As of June 30, 1999, the City of Salisbury will have \$31,531,565 in outstanding debt for all funds. The type of debt and the breakdown between funds are shown below:

General Fund:	
General obligation bonds	\$ 3,425,000
Capital leases	<u>1,296,457</u>
	<u>\$ 4,721,457</u>
Water and Sewer Fund:	
General obligation bonds	\$19,935,000
Revenue bonds	1,970,000
State clean water revolving loan	<u>4,905,108</u>
	<u>\$26,810,108</u>
Total	<u>\$31,531,565</u>

General Fund

The City has lease agreements to finance the acquisition of various equipment. These agreements qualified as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, were recorded at the present value of the future minimum lease payments as of the date of their inception. These lease agreements are outlined as follows:

Lease of telecommunications equipment from BB&T Leasing Corporation, dated March 11, 1996, payable in eight semi-annual installments of \$54,438.21 at an effective annual interest rate of 3.93%.

Lease for capital improvements and acquisition of facilities from Wachovia Bank of North Carolina, dated December 1, 1996, payable in fourteen semi-annual installments of \$149,222.75 at an effective annual interest rate of 4.91%.

The equipment acquired by telecommunications lease has been recorded as a fixed asset at a value totaling \$398,271. The facilities funded by Wachovia Bank of North Carolina are currently under construction and will be recorded at their construction cost upon completion.

In January 1992, the City issued \$250,000 general obligation bonds. Seventy-five thousand dollars of the bonds were for improvements of parks and recreation, while the balance of \$175,000 was designated for sidewalk and parking facilities. These bonds were issued at an average rate of 6.0982%, maturing serially to 2002.

The City issued \$373,000 general obligation bonds in November 1993. These bonds were designated for improvements to downtown parking facilities in the amount of \$273,000, while the balance of \$100,000 was for construction of recreation facilities. These bonds were issued at an average interest rate of 4.846%, maturing serially to 2004.

In November 1995, the City issued \$355,000 general obligation bonds for parks and recreational improvements. These bonds were issued at an average rate of 5.2756%, maturing serially to 2006.

In December 1997, the City issued \$3,000,000 general obligation bonds for parks and recreational improvements. These bonds were issued at an average rate of 4.79%, maturing serially to 2017.

Future maturities and interest on General Fund long-term debt are:

Year Ending June 30,	General Obligation Bonds		Capital Lease		Total	
	GO Bond Principal	GO Bond Interest	Lease Principal	Lease Interest	Principal	Total Interest
2000	200,000	166,158	347,359	59,963	547,359	226,121
2001	200,000	156,125	254,936	43,509	454,936	199,634
2002	200,000	146,093	267,607	30,838	467,607	176,931
2003	180,000	136,020	280,908	17,538	460,908	153,558
2004	180,000	127,210	145,647	3,576	325,647	130,786
2005	200,000	118,400	-	-	200,000	118,400
2006	190,000	108,650	-	-	190,000	108,650
2007	200,000	99,550	-	-	200,000	99,550
2008	200,000	90,050	-	-	200,000	90,050
2009	200,000	80,550	-	-	200,000	80,550
2010	200,000	70,950	-	-	200,000	70,950
2011	200,000	61,350	-	-	200,000	61,350
2012	200,000	51,750	-	-	200,000	51,750
2013	200,000	42,150	-	-	200,000	42,150
2014	200,000	32,550	-	-	200,000	32,550
2015	200,000	22,950	-	-	200,000	22,950
2016	200,000	13,350	-	-	200,000	13,350
2017	75,000	3,750	-	-	75,000	3,750
Totals	<u>\$ 3,425,000</u>	<u>\$ 1,527,605</u>	<u>\$ 1,296,457</u>	<u>\$ 155,424</u>	<u>\$ 4,721,457</u>	<u>\$ 1,683,029</u>

Water and Sewer Fund

Long-term debt of the Water and Sewer Fund include the following general obligation and revenue bond issues:

	Balance June 30, 1999
Sanitary Sewer Series 1989, average rate of 6.5245%, issued July 1989, maturing serially to 2008	\$ 875,000
Sanitary Sewer Series 1992, average rate of 6.0982%, issued January 1992, maturing serially to 2011	750,000
Refunding Series 1993, average rate of 4.1860%, issued November 1993, maturing serially to 2008	2,610,000
Water and Sanitary Sewer Series 1995, average rate of 5.2756%, issued November 1995, maturing serially to 2015	12,000,000
Water Bonds Series 1997, average rate of 4.79%, issued December 1997, maturing serially to 2008	625,000
Combined Enterprise Revenue Series 1998A, average rate of 4.87%, issued January 1998, maturing serially to 2018	1,970,000
Water Bonds Series 1998, average rate of 4.4%, issued June 1998, maturing serially to 2017	<u>3,075,000</u>
	<u>\$21,905,000</u>

The general obligation bonds were issued to finance the construction of facilities utilized in the operations of the water and sewer systems and are being retired by the resources of the Water and Sewer Fund. These bonds bear interest, payable semiannually, and are collateralized by the full faith, credit, and taxing power of the City. The combined enterprise revenue bonds were issued to finance the construction of facilities utilized in the operations of the water and sewer systems and are being retired by the resources of the Water and Sewer Fund. These bonds bear interest, payable semiannually, and are collateralized by the receipts of only the Water and Sewer Fund.

The City refunded a portion of the Sanitary Sewer Series 1988 bonds in November 1993. These bonds were refunded at an average interest rate of 4.1860%, which produced a net interest cost savings of \$174,748.

During the fiscal year ended June 30, 1998, the City entered into agreements to lease certain water and sewer distribution systems. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. Interest rates on these agreements range from 3.385% to 4.5%. The City has recorded water and sewer assets related to these leases at their fair market value of \$3,802,476. The future minimum lease payments total \$4,168,212, including \$960,624 of interest. The leases expire in 2006 and 2016 at which time the City will take ownership of the related assets.

In addition to this debt, the City also owes the State of North Carolina for debt issued through its Clean Water Revolving Loan program. Total Clean Water Debt is composed of the following two loans:

	Balance June 30, 1999
Clean Water Loan for Sewer purposes, average rate of 5.03%, issued July 1989, maturing serially to 2017	\$ 4,500,000
Clean Water Loan for Water purposes, average rate of 5.03%, issued January 1992, maturing serially to 2017	405,108

Future maturities and interest of Water and Sewer Fund for all types of long-term debt are:

Year	General Obligation Bonds		Revenue Bond		Clean Water Bond		Capital Leases		Total	
Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2000	\$ 1,290,000	\$ 1,010,608	\$ 65,000	\$ 95,939	\$ 272,506	\$ 259,971	\$ 198,799	\$ 110,065	\$ 1,826,305	\$ 1,476,582
2001	1,285,000	946,815	70,000	92,774	272,506	245,528	199,799	103,141	1,827,305	1,388,257
2002	1,280,000	883,058	70,000	89,365	272,506	231,085	199,799	96,166	1,822,305	1,299,673
2003	1,275,000	819,510	75,000	85,956	272,506	216,642	200,799	89,191	1,823,305	1,211,299
2004	1,270,000	756,173	80,000	82,303	272,506	202,199	200,799	82,171	1,823,305	1,122,846
2005	1,275,000	693,045	85,000	78,407	272,506	187,757	200,799	75,151	1,833,305	1,034,359
2006	1,275,000	629,603	90,000	74,268	272,506	173,314	198,799	68,131	1,836,305	945,314
2007	1,270,000	565,955	90,000	69,885	272,506	158,871	180,799	61,201	1,813,305	855,911
2008	1,215,000	502,518	95,000	65,502	272,506	144,428	180,799	55,081	1,763,305	767,528
2009	1,175,000	438,900	100,000	60,875	272,506	129,985	180,799	48,960	1,728,305	678,721
2010	1,175,000	377,850	105,000	56,005	272,506	115,543	180,799	42,840	1,733,305	592,238
2011	1,175,000	316,800	110,000	50,892	272,506	101,100	180,799	36,720	1,738,305	505,512
2012	1,175,000	255,700	115,000	45,535	272,506	86,657	180,799	30,600	1,743,305	418,492
2013	1,175,000	195,000	120,000	39,934	272,506	72,214	180,799	30,600	1,748,305	337,748
2014	1,175,000	134,625	125,000	34,090	272,506	57,771	180,799	18,360	1,753,305	244,846
2015	1,175,000	73,250	135,000	28,003	272,506	43,328	180,799	12,240	1,763,305	156,821
2016	175,000	12,375	140,000	21,428	272,506	28,886	180,799	6,120	768,305	68,809
2017	100,000	4,500	145,000	14,610	272,506	14,443	-	-	517,506	33,553
2018	-	-	155,000	7,549	-	-	-	-	155,000	7,549
Totals	\$ 19,935,000	\$ 8,616,283	\$ 1,970,000	\$ 1,093,315	\$ 4,905,108	\$ 2,469,722	\$ 3,207,588	\$ 966,738	\$ 30,017,696	\$ 13,146,057

PROPOSED DEBT

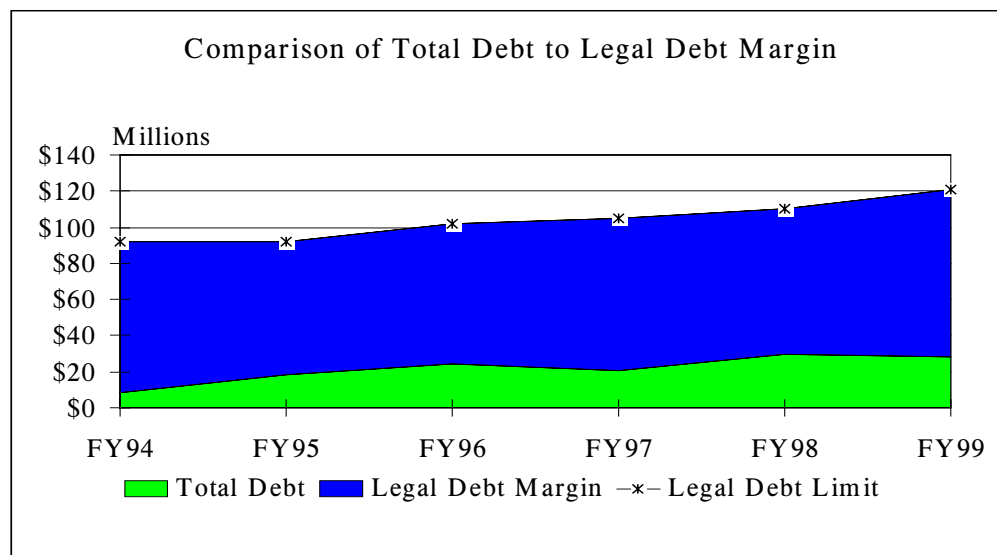
Currently, the City of Salisbury intends to issue \$1,000,000 Public Facilities General Obligation Bonds to renovate and improve several office buildings, develop public parking facilities, and make improvements to

certain streets and sidewalks in the central business district. These bonds are anticipated to be issued approximately midyear.

In addition to these bonds, the City has been approved for two loans from the North Carolina's Revolving Loan Pool. The first loan is for \$9,200,000 to fund sewer improvements. This loan has been accepted by the City with the funds expected to be received during FY 1999-00 and the debt service requirement anticipated to begin in FY 1999-00. The debt service requirements have been included in the Water and Sewer Fund's debt service. The second loan is for \$3,000,000 to fund water improvements. The City has not yet accepted this loan and no debt service funds have been included for the loan's retirement.

LEGAL DEBT MARGIN

As shown, the City has maintained an ample legal debt margin. This margin is based on a debt limit of eight percent of assessed valuation less total debt as required by North Carolina General Statutes. The margin allows for the incurring of proposed debt to finance the needed water and sewer infrastructure projects as outlined in Section X - CAPITAL IMPROVEMENT PROGRAM. Furthermore, the City complies with the Debt Management Policy as defined on page 2-4.



Computation of Legal Debt Margin at June 30, 1999

Debt limit: Assessed value of \$1,466,583,363 x 8% \$117,326,669

Amount of debt applicable to debt limit:

Total bonded debt	\$ 23,360,000
Total capitalized lease obligation	<u>4,504,046</u>
Total outstanding debt	\$ 27,864,046

Less:

Deductions allowed for water bonds issued	<u>3,700,000</u>
Total amount of debt applicable to debt limit	<u>24,164,046</u>

LEGAL DEBT MARGIN \$ 93,162,623

DIRECT AND OVERLAPPING DEBT⁽¹⁾

The table below shows the computation of direct and overlapping debt from the City and Rowan County. These amounts are as of June 30, 1998.

	Net General Obligation Debt <u>Outstanding</u>	Percentage Applicable to City of Salisbury	City of Salisbury's <u>Share of Debt</u>
City of Salisbury	\$ 3,625,000	100.00%	\$ 3,625,000
Rowan County ⁽²⁾	38,925,000	23.85%	<u>9,283,613</u>
Total direct and overlapping debt			<u><u>\$ 12,908,613</u></u>

⁽¹⁾ Based on assessed valuation.

⁽²⁾ Net debt and assessed valuation figures provided by Rowan County

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